STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

STATE ALLOCATION BOARD
1130 K Street, Suite 400
Sacramento, CA 95814
http://www.dgs.ca.gov/opsc

Date: July 23, 2004

To: Interested Parties

Subject: **NOTICE OF THE STATE ALLOCATION BOARD IMPLEMENTATION COMMITTEE MEETING**

Notice is hereby provided that the State Allocation Board Implementation Committee will hold a meeting on Thursday, August 5, 2004 (10:00 am - 3:30 pm) at the Legislative Office Building, 1020 N Street, Room 100, Sacramento.

The Implementation Committee's proposed agenda is as follows:

1. Convene Meeting

2. Bidding Climate Report
   Discussion of the following topics and its impacts on the high bidding climate:
   - *Possible creation of an additional grant for technology.*
   - *Possible additional category for site development costs.*
   - *Evaluation and consideration of the type of Class B Index used for the School Facility Program.*

3. Enrollment Projection Augmentation and Student Yield Factor
   Further discussion of the appropriate time limit for reporting dwelling units and other clarifying language on the Enrollment Certification/Projection form and discussion of a consistent criteria used for Student Yield Factor studies.

4. Purchase and Conversion of Non-Conforming Buildings for School Use
   Further discussion to determine the need for regulatory amendments related to the funding of projects involving the purchase retrofit of buildings for school use.

Any interested person may present public testimony or comments at this meeting regarding the issues scheduled for discussion. Any public input regarding unscheduled issues should be presented in writing, which may then be scheduled for a future meeting. For additional information, please contact Christine Sanchez at (916) 322-0328.

BRUCE B. HANCOCK
Chairperson

BBH:LM:cs

STATE ALLOCATION BOARD

IMPLEMENTATION COMMITTEE

Pending Items List
August 5, 2004

A. Future Items

- Increased Capacity for Replaced Facilities, SFP Regulation Section 1859.73.2

- Classroom Inventory Adjustments for Educational Program and Facility Transfers

- SFP – Project Rescission

B. Suspended Items

- None

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
August 5, 2004

BIDDING CLIMATE REPORT

PURPOSE

To continue discussing the Bidding Climate report presented at the June 2004 State Allocation Board (SAB) meeting and to provide a status on the considerations stated in the previous Implementation Committee item.

BACKGROUND

School districts and design professionals engaged in the construction and modernization of facilities funded through the School Facility Program (SFP) report significant difficulties in receiving competitive bids on projects. At the April 2004 SAB meeting, the Board requested Staff to look into a number of issues and outline what the Office of Public School Construction (OPSC) could do administratively to help districts deal with the high bid climate.

In response, the attached Bidding Climate Report was presented to the SAB at its June 2004 meeting. The SAB requested Staff and the Implementation Committee to discuss possible means of addressing the items outlined in the report, and to report back at a future SAB meeting. The Committee began discussion at their July 9, 2004 meeting.

AUTHORITY

Education Code Section 17072.10 (b) states, "The board shall annually adjust the per-unhoused-pupil apportionment to reflect construction cost changes, as set forth in the statewide cost index for class B construction as determined by the board."

DISCUSSION

At the previous Committee meeting, Staff introduced the report and opened up the floor for discussion. Various inquiries were made regarding construction cost index, grant adequacy, etc. The OPSC realizes that there are no straightforward answers to the issue. Staff is researching all considerations and inquiries for continued discussion at future Implementation Committee meetings. In addition, many of the considerations require legislation and will take time for any possible changes to occur. Currently Staff is focusing on the Construction Cost Index. This discussion includes the following:

- Changing the current Class B Index
- Modifying existing law to adjust the Index more frequently
- Adjusting the State apportionment based on bid opening date

Currently, the SFP uses the Marshall & Swift Class B based on 10 Western States. Regulatory changes would be required for the SAB to use the Lee Saylor Index or the Engineering & News Record Index. For this item, Staff has reviewed the Marshall & Swift Class B based on 8 California Cities and the Marshall & Swift Class B based on San Francisco and Los Angeles, California. While the OPSC believes that the San Francisco and Los Angeles Index does not accurately portray the entire State, we have determined that the 8 California Cities Index better

reflects the construction costs in California (see Attachments 1 and 2). The eight cities used for the index include the following:

- Bakersfield
- Eureka
- Fresno
- Los Angeles
- Riverside
- Sacramento
- San Diego
- San Francisco

The OPSC acknowledges that the Regulation Section 1859.2 states a definition for Class B Construction Cost Index, which refers to "Western area"; however, Staff believes this term can be interpreted to signify the 8 California Cities Index.

Adjusting the Index on a more frequent basis or modifying the State apportionment based on the bid opening date would require legislation. As previously discussed at the July Committee meeting, the bidding climate may change in the next 12 months making any legislative change unwarranted. Staff is in the process of creating a survey to better understand individual districts' issues to gain further insight on the problems and how better to address them.

RECOMMENDATION

Staff recommends using the Marshall & Swift Class B based on 8 California Cities for the January 2005 index adjustment. While the current index is based on 10 Western States, Staff believes that it is more appropriate to use an index based on locations in which SFP funding will potentially occur.

2004 SFP Grant Comparison Chart for Marshall & Swift, Class B Indexes

Index Multiplier Applied to Each Year Starting with 1998 Grant Amounts

			10 Western States	8 California Cities*	SF and LA
New Construction	Per Pupil Grant	Elementary	$ 6,040	$ 6,144	$ 6,186
		Middle	6,388	6,498	6,543
		High	8,363	8,507	8,565
		Non-severe	12,875	13,096	13,185
		Severe	19,251	19,583	19,742
	Auto Alarm/Detection	Elementary	31	32	32
		Middle	40	40	41
		High	30	31	30
		Non-severe	62	63	64
		Severe	93	96	96
	Automatic Fire Sprinklers	Elementary	97	99	99
		Middle	116	117	118
		High	131	133	134
		Non-severe	213	216	217
		Severe	317	324	326
	Critically Overcrowded Schools	Elementary	6,071	6,176	6,218
		Middle	6,427	6,541	6,582
		High	8,394	8,539	8,596
		Non-severe	12,937	13,161	13,249
		Severe	19,343	19,679	19,812
Modernization	Per Pupil Grant	Elementary	2,609	2,654	2,671
		Middle	2,760	2,808	2,826
		High	3,613	3,676	3,700
		Non-severe	5,562	5,658	5,695
		Severe	8,313	8,459	8,515
	Auto Alarm/Detection	Elementary	122	123	126
		Middle	151	154	155
		High	148	152	151
		Non-severe	260	265	267
		Severe	389	396	399
	50 Years Old Grant	Elementary	3,624	3,687	3,710
		Middle	3,833	3,900	3,926
		High	5,018	5,104	5,140
		Non-severe	7,724	7,859	7,912
		Severe	11,551	11,750	11,830

*Bakersfield, Eureka, Fresno, Los Angeles, Riverside, Sacramento, San Diego, and San Francisco

04 SFP Grant Comparison Chart for Marshall & Swift, Class B Index

Using 2004 CCI Multiplier Applied to 2003 Grant Amounts

			10 Western States	8 California	SF and LA
New Construction	Per Pupil Grant	Elementary	$ 6,040	$ 6,149	$ 6,075
		Middle	6,388	6,504	6,425
		High	8,363	8,514	8,411
		Non-severe	12,875	13,108	12,949
		Severe	19,251	19,599	19,362
	Auto Alarm/Detection	Elementary	31	32	31
		Middle	40	41	41
		High	30	31	30
		Non-severe	62	63	62
		Severe	93	95	94
	Automatic Fire Sprinklers	Elementary	97	99	98
		Middle	116	118	117
		High	131	134	132
		Non-severe	213	217	214
		Severe	317	323	319
	Critically Overcrowded Schools	Elementary	6,071	6,181	6,106
		Middle	6,427	6,543	6,464
		High	8,394	8,545	8,442
		Non-severe	12,937	13,171	13,012
		Severe	19,343	19,692	19,455
Modernization	Per Pupil Grant	Elementary	2,609	2,656	2,624
		Middle	2,760	2,810	2,776
		High	3,613	3,679	3,634
		Non-severe	5,562	5,662	5,594
		Severe	8,313	8,463	8,361
	Auto Alarm/Detection	Elementary	122	124	123
		Middle	151	154	152
		High	148	151	149
		Non-severe	260	264	261
		Severe	389	396	391
	50 Years Old Grant	Elementary	3,624	3,689	3,645
		Middle	3,833	3,902	3,855
		High	5,018	5,109	5,047
		Non-severe	7,724	7,864	7,769
		Severe	11,551	11,760	11,618

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, June 23, 2004

BIDDING CLIMATE REPORT

PURPOSE OF REPORT

To report on the impact the bidding climate has had on the school construction industry.

DESCRIPTION

At the April 2004 State Allocation Board (SAB) meeting, the Board asked the Office of Public School Construction (OPSC) to look into a number of issues and requested the OPSC outline what the OPSC could do administratively to help districts deal with the high bid climate. Specifically, the following topics needed to be addressed:

- Construction Cost Index
- 18-month time limit on fund release
- Per pupil base grant

EXECUTIVE SUMMARY

School districts and design professionals engaged in the construction and modernization of facilities funded through the School Facility Program (SFP) report significant difficulties in receiving competitive bids on projects. Evidence of recently bid projects exceeding project budgets by unacceptable amounts has been provided to Staff. A review of five construction cost indexes published by three different private firms indicates that there has been an increase in construction costs statewide from 2 percent to 4.4 percent since the first of the year. As substantial as these increases are, they do not reflect the increases reported by school districts and project architects. The discrepancy appears to be primarily attributable to increased profit margins resulting from market inundation. New construction appears to have become a primary support of the California economy. Although possibly a short term issue, the current bid climate is having an effect on the ability of some districts to successfully bid school construction projects.

The requirement that all projects bid within 18 months of receipt of an apportionment has been met successfully on the overwhelming majority of SFP projects. Of the 4,700 projects that have been apportioned under the SFP since 1999, less than 100 have not met the 18-month requirement. However, some school districts report that in order to meet the timeline, they have been forced to accept bids in excess of the budget. The OPSC strongly supports the retention of the 18-month requirement; however, Staff concedes that in some recent projects under the current bid climate, it may have been met at a premium cost.

The issue of the adequacy of the grants is too large to be addressed in this brief report. School district organizations are looking into the matter, and the OPSC and SAB have representatives in those discussions.

The complete “Bidding Climate Report” with supporting charts is included as an Attachment to this report.

CONSIDERATIONS

The SAB administers the SFP under statute which prescribes the amount of the per pupil grant that can be apportioned to qualified school districts. The SAB has very limited latitude to address the problems and issues associated with an overheated construction climate and the corresponding loss of competitive bidding. Most of the possible ‘solutions’ that might have a substantial effect on the current situation must be accomplished through legislation. Given that some of the market issues may change in the next twelve months, it may be that legislative change in some instances would be too late and possibly unwarranted.

(Continued on Page Two)

CONSIDERATIONS (cont.)

The OPSC has identified a number of possible approaches to mitigate the current bid climate situation. Except as may be reflected in comments in "The Bidding Climate Report", Staff makes no recommendations as to the merit of particular ideas.

1. Create an additional grant for technology which includes computers, wiring and equipment to support computers and additional power to operate computers. Allow this grant to be used for installing Electronic Monitoring Systems into schools (regulatory change).

2. Provide an additional eligible category of site development costs similar to the general site funding provided in the Lease Purchase Program (regulatory change).

3. Change the Class B Index currently used by the SAB. Consider using the Marshall and Swift index for the eight California cities only (regulatory change).

4. Modify existing law that requires an annual adjustment to the per-pupil grant utilizing the Class B Index to allow for a more frequent (semi-annually, quarterly or monthly) adjustment of the Index (requires legislative remedy).

5. Adjust the State apportionment according to the construction cost index in effect as of the date of the bid opening (requires legislative remedy).

6. Modify existing law to allow for the SFP per pupil grant to be reviewed every five to ten years and allow the SAB to reestablish the base grant based upon current Title 24 code requirements (requires legislative remedy).

7. Limit the amount of funding made available in a specific period of time through staggered apportionments (regulatory change).

ATTACHMENT C
State Allocation Board Meeting, June 23, 2004

REPORT SOURCES

The OPSC relied primarily on information gathered from architects, design professionals and various trade publications and information gathered from the administration of the State school building programs. The following is a complete listing of the sources used:

- Funds Released by Month from Proposition 1A and 47 (Funds released from March 1999 through May 2004)

- Comparison of CCI Indices
  This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 2004 through May 2004 – Attachment A

- Comparison of CCI Indices
  This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 1999 through January 2004 - Attachment B

The following resources are not included in this report, however, were used as additional references:

- Lee Saylor Index
  A summary report prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc showing an average one-year increase in labor, material and subcontracting costs**.**

- School Facility Program Projects for New Construction/Modernization approved under Propositions 1A, 47 and 55.

- Marshall and Swift Class B Building Indexes for 10 Western States, 8 California Cities, and San Francisco/Los Angeles

- California Department of Finance, *California Economic Indicators* (January/February 2004)

- Interviews with Architects and Design professionals
  The OPSC staff conducted interviews relating to issues that impact the current construction climate.

BIDDING CLIMATE

The bidding climate is comprised of many different factors that control the price of materials used in manufacturing; the number of contractors, inflation, labor costs and the State's economy to name a few. Many of these are factors that cannot be controlled by the SAB and are dictated by the market through supply and demand.

There has been concern expressed over whether the nearly $18 billion in funding allocated by the SAB since 1999 has had a strong adverse effect on the bidding climate. With billions of dollars of State funding released, are there enough qualified contractors to meet the demand for building/modernizing of schools? The SAB at its meeting in December 2002 allocated nearly $5.4 billion which represented 1,931 new construction and modernization projects ready for construction. Although a large number of these projects which had been on waiting lists for as much as two years had already been bid, many more went to bid in the months immediately following the apportionments. These projects may have taken much of the available material and labor supply. Districts that followed that initial surge by bidding projects during the latter part of 2003 and into 2004 have seen a subsequent rise in the costs of various materials, especially lumber, concrete and steel.

The bonding requirement for public works contracts and the special nature of the Field Act keep most small contractors and subcontractors out of the competition for school projects. Additionally, prevailing wage and other reporting and contracting requirements of public works projects may keep some intermediate and large contractors from competing in the school construction market, especially when the general construction market is hot. At the same time that large amounts of school construction funds were flowing into the economy, new home construction was booming in California. It remains strong in 2004. Contractors that build new homes and commercial projects use many of the same subcontractors for their work as they do for school projects. Thus, activity in the non-school construction market may have had an additional effect on the already active school construction arena.

The disparate increases in the bids that districts have reported to the OPSC are believed to be caused by a mixture of limited contractors and the anticipated increase in the price of materials. Both of these factors in turn produce a domino effect for contractors and suppliers to inflate estimates so that when these projects are ready to be constructed, the contractors have accounted for the increase in materials. Based upon these assumptions, the OPSC believes the State funding allocated to districts from the December 2002 SAB meeting, combined with a very active California construction market, may have caused pockets of high bids where the market may have been flooded and the availability of contractors may be limited. The OPSC believes that this will be short-lived as the amount of funding being allocated has leveled off; however, in the future, it may be advisable to stagger apportionments when faced with funding requests for large numbers of projects.

Comments/Interviews

While conducting interviews with architects and design professionals, the OPSC received information that included both written and verbal comments regarding the difficulty of obtaining a sufficient number of responsive bidders or receiving competitive pricing on specific projects. These individuals argued that the 18-month time requirement to request a fund release is too restrictive and should be extended. Many stated that bids for school projects were in excess of the architect's estimate and with the requirement of the 18-month timeframe to request a fund release, districts are forced to accept these high bids. The OPSC does not collect and track bid information and while these comments albeit may reflect issues in some areas in the State, they do not consider other factors. These factors include but are not limited to whether the project was designed within the State/district apportionment, if significant modifications were made to the plans and specifications or if the architect's original cost estimate reflected current costs of labor/materials.

Construction Cost Index

The SAB is statutorily required to use a Class B Building index and to adjust the basic per-pupil grant that is the foundation for the apportionments made under the SFP on an annual basis. In its analysis, the OPSC examined several different Class B Building construction cost indices for the last five months in 2004 (see Attachment A) and for the last five years from 1999 to 2004 (see Attachment B). Our findings are summarized below with a brief description of the indices' methodology.

Marshall & Swift Company

The Marshall & Swift (M&S) Company produces a regular cost index (concrete and steel construction) designed to adjust base costs to current market conditions. The M&S Construction cost index tracks 12 kinds of materials from a minimum of two to five suppliers. If the costs are the same after two sources, the M&S uses the average of two similar costs. If costs vary, up to five suppliers are tracked, plus sales tax. Six trades are tracked; common labor, electricians, bricklayers, carpenters, structural iron workers and plumbers.

Marshall & Swift Company – Based on 10 Western States
5 Month Accumulative Inflation: 1.99 Percent
5 Year Accumulative Inflation: 15.3 Percent

The SAB/OPSC currently uses a M&S Class B Building Index that represents the 10 western states to adjust certain program-related costs. This includes states such as Idaho and Montana and might not represent the costs associated with the California market.

Marshall & Swift Company – Based on 8 California Cities
5 Month Accumulative Inflation: Not Available
5 Year Accumulative Inflation: 15.9 Percent

The OPSC reviewed an additional index produced by the M&S for the Class B Building Index for eight cities in California.

Marshall & Swift Company – Based on San Francisco and Los Angeles, California
5 Month Accumulative Inflation: Not Available
5 Year Accumulative Inflation: 18.0 Percent

The M&S also produces a Class B Building Index based on costs in the Los Angeles and San Francisco areas only, that the OPSC reviewed as part of this report.

Lee Saylor Index (LSI) – California
5 Month Accumulative Inflation: 2.89 Percent
5 Year Accumulative Inflation: 19.6 Percent

This index is prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc. showing an average one-year increase in labor, material and subcontracting costs. The LSI Cost Indices represent material and labor including subcontractor's prices which includes 23 selected materials and 21 basic in-place materials used by subcontractors. Nine trades are tracked; carpenters, bricklayers, ironworkers, laborers, painters, engineers, plasterers, plumbers, electricians and teamsters. The index is composed of 64 percent labor and 46 percent material and is based upon data from California cities.

Engineering News-Record/California ~~Construction~~ Building Cost Index - San Francisco and Los Angeles
5 Month Accumulative Inflation: 4.38 Percent
5 Year Accumulative Inflation: 5.4 Percent

The Engineering News-Record (ENR) obtains their inflation rate for the United States from the M&S as well as the average change for the 95 cities in the United States. The ENR's building cost index tracks monthly three types of material; structural steel, Portland cement, and 2X4 lumber using spot pricing collected from a single source in each city. The average of 20-city wage-fringe labor rates for three trades are tracked; bricklayers, carpenters, and structural iron workers. This index is used by the Department of General Services, Real Estate Services Division and the other State agencies.

The OPSC reviewed the Class B Building indices from January 2004 to May 2004 and there has been a steady rise in the index with an accumulated increase that varies from nearly two percent to just over four percent. These indices reflect a rise in construction costs which may be due to the rise in concrete and steel and light frame construction (see Attachment A). However, this rise does not reflect the increase reported to the SAB and the OPSC.

Although there is an increase in materials and labor as indicated from several indices reviewed, it is not commensurate with the high bids that districts are experiencing. The highest accumulative index, the LSI, is 19.6 percent which would be an average of 3.8 percent increase per year (see Attachment B).

18-MONTH TIME LIMIT ON FUND RELEASE

The 18-month requirement for a fund release was set forth in Senate Bill 50 which was created in August 1998. It was a new requirement as compared to the previous State school building program, the Lease-Purchase Program (LPP). This requirement requires districts to certify that they have a contract ready for construction within 18 months of the apportionment date. The SFP grant is processed for release when the district submits a Form SAB 50-05, *Fund Release Authorization.* When signing this form, the district is certifying that it has entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the State funded project, and has issued the Notice to Proceed for that contract.

During the OPSC interviews with architects, they indicated that the 18-month time requirement to request a fund release is too restrictive and should be extended. It is argued that extending the 18-month requirement will give districts more flexibility in timing bids to minimize the flooding of the market, and to anticipate rising costs in labor and materials. Furthermore, if a bid came in too high or there was a lack of bidders to ensure competitive pricing, the additional time would allow the district to time its bid and avoid bidding during the spring and summer months when school construction demand is at its highest. Also, this additional time would allow the architect to perform value engineering if necessary to evaluate the cost of the project and redesign the project. Although these considerations have merit, the intent of the SFP was to have the district and its architect design and have a project ready to be built as soon as the SAB allocated the funding. The SFP requires that new construction or modernization plans be Division of the State Architect (DSA) approved and all site selection and any site cleanup measures be performed prior to funding to enable districts to bid the project immediately after the SAB apportionment. Therefore, the 18-month timeframe should provide adequate time for a district to bid the SAB approved project.

The vast majority of projects which received new construction and modernization funding from the inception of the SFP have submitted their fund release authorization form to the OPSC as identified by the total number of funds remaining to be released to districts. Since the beginning of the SFP in 1999 through May 2004, the OPSC has released nearly $14.4 billion under the SFP which represents 4,695 new construction and modernization projects. A report ran by the OPSC indicates that the average number of days between the date of SAB apportionment and the submittal date of the

fund release authorization form since 1999 was 101 days for new construction and 163 days for modernization. This represents approximately three to six months which further indicates that the majority of the projects that have been apportioned have contracts in place. In reviewing this data at face value, it could indicate that there is no unusually strong reaction to the large amount of bond funding that has been apportioned by the SAB. The projects appear to be proceeding without undue delay.

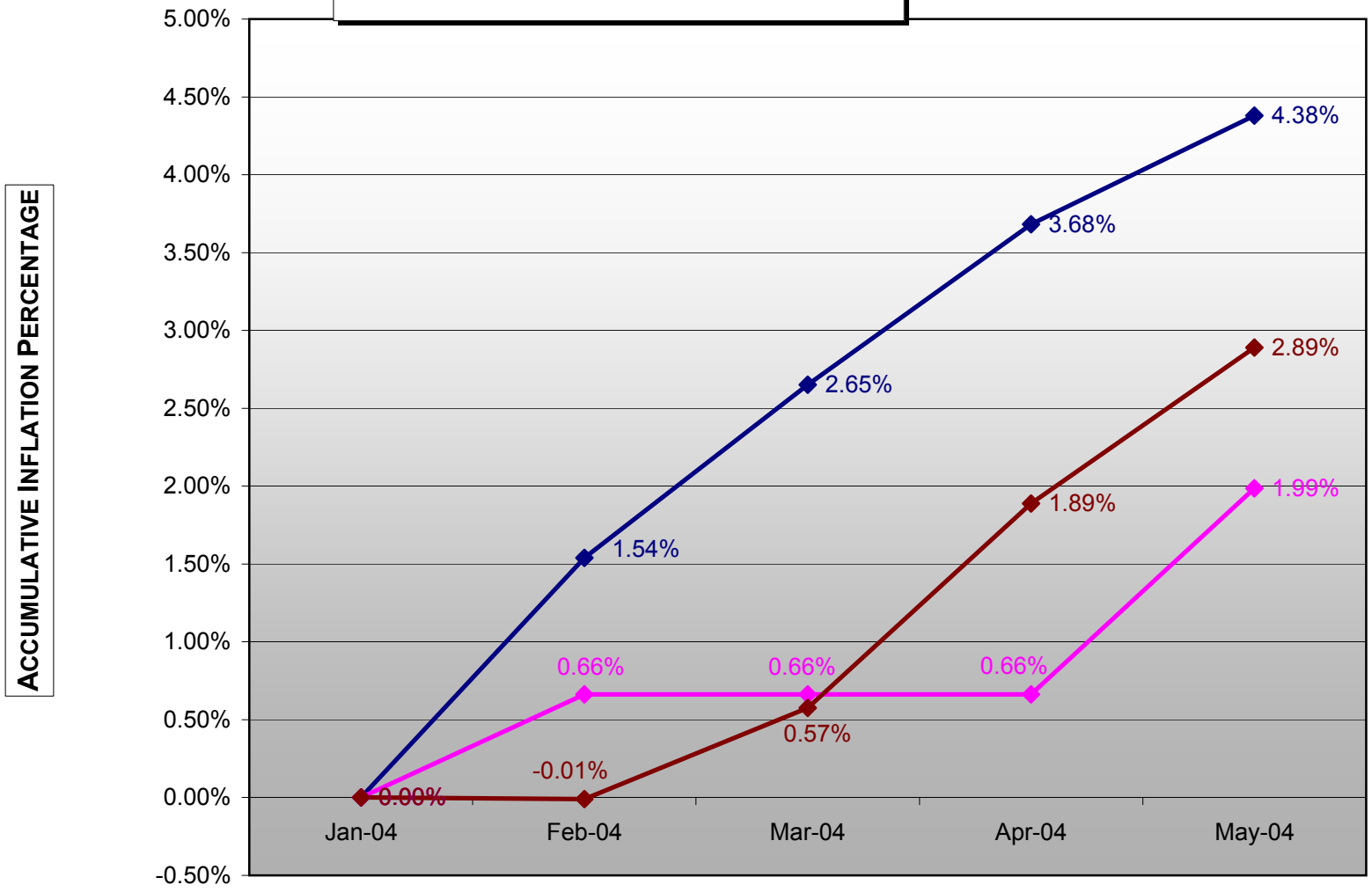
Furthermore, the construction cost index that is in effect at the time the apportionment is made to adjust for inflation becomes ineffective the longer it takes a project to be bid. Extending the 18-month timeline only exacerbates the problem of competitive bidding. Therefore, the OPSC does not recommend a change to the 18-month requirement for fund release. The OPSC believes that the intent of a set timeframe for fund release was to ensure that the construction of schools and the modernization of facilities were realized. In addition, the 18-month timeframe is a fundamental reason for the success of the SFP. Based upon the above reasons, the OPSC does not believe any changes to the 18-month time limit to request funding is necessary.

SFP PER PUPIL BASE GRANT

An examination of the adequacy of the per pupil grant specified in law is beyond the scope of this Report. The original grant amount was developed from information on the apportionments made to 100 projects of various grade levels in the LPP. School district groups are looking into the matter of the adequacy of the per pupil grant. Representatives of the OPSC, SAB and California Department of Education have been invited to participate.

The grant, along with amounts for site development and site acquisition, make up the total funding that may be apportioned to a project. Staff does recommend further review of the funding made available through SAB regulation for the purposes of site development to ensure that all appropriate costs are included.

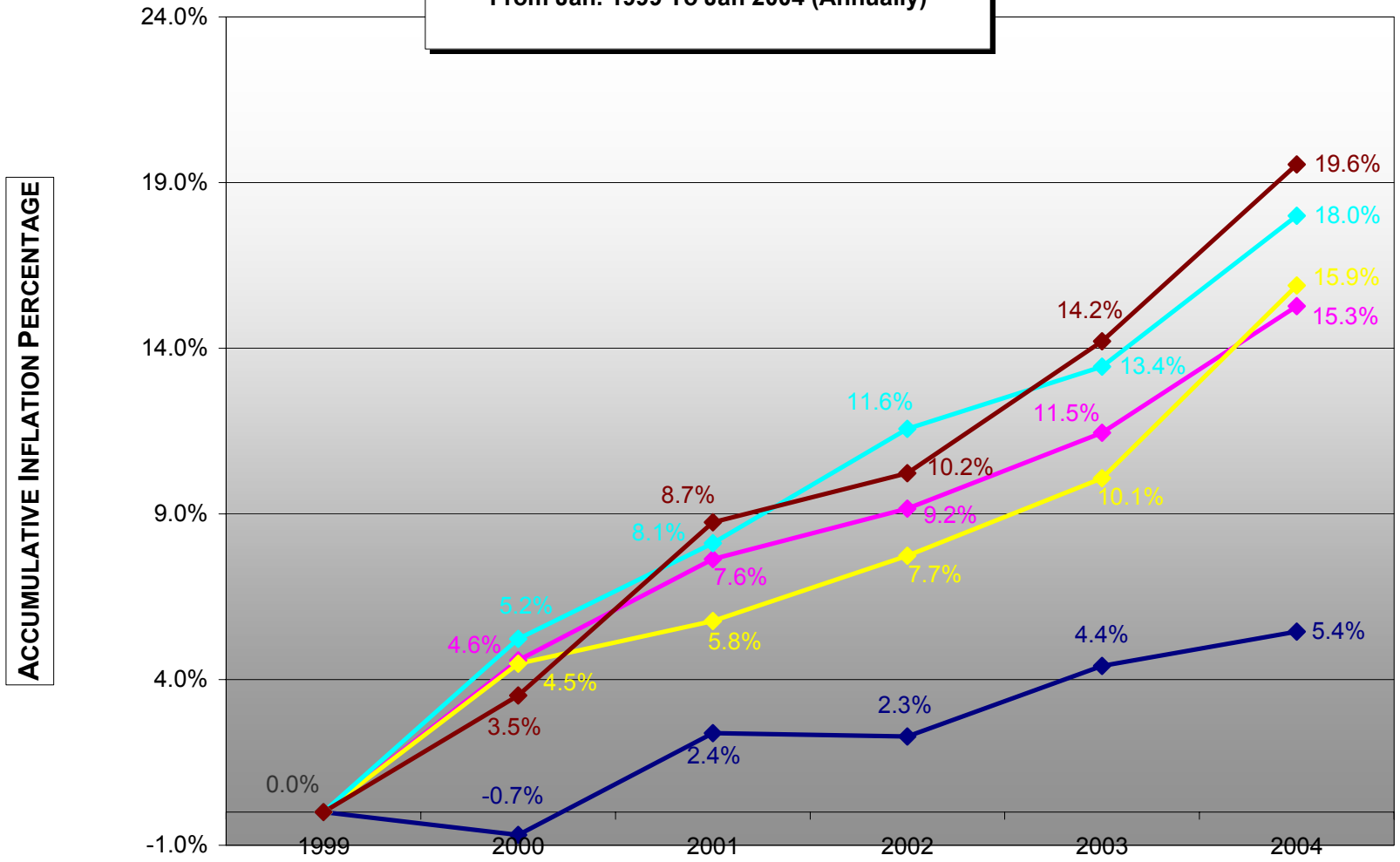
Attachment A
CONSTRUCTION COST INDEXES COMPARISON
From Jan. 2004 To May 2004



	Jan-04	Feb-04	Mar-04	Apr-04	May-04
ENR/BCI ACCUM. % S.F. & L.A.	0.00%	1.54%	2.65%	3.68%	4.38%
M&S ACCUM. % 10 W. STATES CLASS B	0.00%	0.66%	0.66%	0.66%	1.99%
LSI CI % CALIFORNIA	0.00%	-0.01%	0.57%	1.89%	2.89%

Data for "M&S CCI % 8 CAL. CITIES CLASS B" and "M&S CCI % S.F. & L.A. CLASS B" is not available.

Attachment B
CONSTRUCTION COST INDEXES COMPARISON
From Jan. 1999 To Jan 2004 (Annually)



	Jan-99	Jan-00	Jan-01	Jan-02	Jan-03	Jan-04
ENR/BCI % S.F. & L.A.	0.0%	-0.7%	2.4%	2.3%	4.4%	5.4%
M&S CCI % 10 W. STATES CLASS B	0.0%	4.6%	7.6%	9.2%	11.5%	15.3%
M&S CCI % 8 CAL. CITIES CLASS B	0.0%	4.5%	5.8%	7.7%	10.1%	15.9%
M&S CCI % S.F. & L.A. CLASS B	0.0%	5.2%	8.1%	11.6%	13.4%	18.0%
LSI CI % CALIFORNIA	0.0%	3.5%	8.7%	10.2%	14.2%	19.6%

State Allocation Board Implementation Committee
August 5, 2004

Dwelling Unit and Student Yield Factor Augmentations

PURPOSE

To continue the discussion regarding the point in time in which dwelling units are no longer eligible to be reported on the *Enrollment Certification/Projection* (Form SAB 50-01). To provide clarifying language pertaining to the dwelling unit and student yield factor augmentations.

The attachments provided are listed below:

- Attachment A – Form SAB 50-01
- Attachment B – Regulatory Clarifications
- Attachment C – Relevant Government Code Sections
- Attachment D – Cohort Survival Method Calculation Analysis

DWELLING UNIT BACKGROUND

From the inception of the School Facility Program (SFP), school districts have been able to augment the five-year projection based on the number of pupils that will reside in dwelling units included in approved and valid tentative and final subdivision maps. The purpose of this augmentation is to allow school districts time to plan for the pupils that will be enrolled in their school district. The augmentation allows school districts to use eligibility today to plan for pupils' needs in the future. Any request to include dwelling units on the Form SAB 50-01 (see Attachment A) requires district certification that the local planning commission or approval authority has approved the tentative and final subdivision maps. This certification also is required to state that the tentative and final subdivision maps used to support the request are available at the district for Office of Public School Construction (OPSC) verification.

The OPSC conducted educational workshops throughout the State to clarify what an approved and valid tentative and final subdivision map is, the necessary supporting documentation for proper reporting and the process of including dwelling units on the Form SAB 50-01. A common theme among districts who attended the workshops was the lack of communication between the planning authority and the school district and how this relationship impacted their ability to track dwelling units accurately and in a timely manner. The OPSC strongly recommended that school districts begin developing a relationship with their planning authority and become involved with the residential development activity within their boundaries. To assist districts in properly reporting their dwelling unit augmentation, OPSC has developed a dwelling unit brochure that addresses the new submittal requirements, as well as, frequently asked questions.

INQUIRIES FROM THE JULY 9, 2004 IMPLEMENTATION COMMITTEE MEETING

California Basic Educational Data Systems (CBEDS) Enrollment

At the previous Committee meeting, Committee and audience members brought forth questions and concerns regarding the information Staff presented. One of the questions raised was regarding why the OPSC requires districts to report updated CBEDS enrollment data by November 1st of each year, when the CBEDS are not certified by the California Department of Education (CDE) until some time between January and March of the following year.

Current regulations require districts to report their enrollment data to the OPSC utilizing the same enrollment data that is reported to the CDE on approximately October 15th of each year. Thus, the OPSC requires a school district to report the number of seats filled at the beginning of each enrollment year. If the district prefers to wait until the CBEDS data is certified by the CDE before submitting to the OPSC, then the district can elect to do so. However, if the district submits a funding application prior to the CBEDS data being certified, the district will be required to submit an updated Form SAB 50-01 using the same data reported to CDE on or about the 15th of October. The purpose of collecting this information at the beginning of the enrollment year is to assess the needs of the district. Additionally, the purpose behind changing the reporting date from "*on or about the 15th of October*" to *"on or after November 1st* " is to identify a clear and definite date by which districts are required to report updated enrollment data.

Dwelling Units Resulting From Infill Projects

Another comment brought forth by audience members was regarding the inclusion of "infill" projects. Education Code 17071.75 allows school districts to augment the 5-year enrollment projection for pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative and final subdivision maps. Government Code Section 66426 (see Attachment C) defines a tentative and final subdivision map as containing five or more dwelling units.

The intent behind the dwelling unit augmentation is to account for unusual circumstances when there is reason to believe that enrollment growth resulting from new home construction will result in substantially higher enrollment than the average annual growth experienced in the past four years. As defined above, a single dwelling unit lot or parcel otherwise known as an in-fill project, does not contain 5 or more dwelling units. Therefore, these lots are not permitted to be included with the dwelling unit totals. However, these single lots are in effect taken into account as part of the normal enrollment growth trend and as such, are included in the cohort survival method 5-year enrollment projection.

DWELLING UNIT DISCUSSION

At the previous meeting, Staff presented a list of various stopping point options for reporting dwelling units as follows:

→ The point in time permits are pulled
→ The point in time permits are pulled, plus 6 months
→ The point in time the dwelling unit is occupied.

Staff has taken into account the numerous comments and suggestions made by Committee and audience members at the last meeting and have expanded the list to include two more options:

→ The point in time permits are pulled, plus 12 months
→ The point in time permits are pulled, plus 18 months

Staff recognizes that the date of occupancy is a viable option considering this information should be readily available at the County Recorder's Office. However, Staff has received numerous comments that it is difficult for some districts to collect the occupancy data for many reasons including, but not limited to, time, money and the availability of information. To ensure uniformity across the State, Staff is recommending **permits pulled, plus 12 months** as the stopping point for reporting dwelling units. This approach will address concerns by smaller school districts and will provide the OPSC with a tangible audit trail for the number of reported dwelling units.

STUDENT YIELD FACTOR BACKGROUND

Another aspect of calculating the five year projection involves multiplying the statewide student yield factor by the number of dwelling units to be constructed within the district boundaries. Districts have two student yield factor options; the statewide averages or a district may request a student yield factor above the statewide average if the submitted study justifies a higher yield. The statewide average student yield factors are as follows:

- Elementary School District — 0.5 students per dwelling unit
- High School District — 0.2 students per dwelling unit
- Unified School District — 0.7 students per dwelling unit

When a district submits its own student yield factor report, the OPSC will review these reports on a case-by-case basis. Districts submit studies that often lack details necessary to determine the scope of the study, the source of the data, the period of time, or the type of units considered. The information provided may be inconsistent with other districts' thus creating inequitable projected enrollment comparisons. At the previous Committee meeting, Staff proposed specific language to be added to the *School Facility Program Guidebook* that will clarify the basis of a district's Student Yield Factor Report (see below).

INQUIRIES FROM THE JULY 9, 2004 IMPLEMENTATION COMMITTEE MEETING

Student Yield Factor Study – From Five to Two Years

During the meeting a suggestion was made to change the Student Yield Factor study from five years to two years. Staff has reviewed this suggestion as a possible consideration; however, Staff concluded that a two year period is not a sufficient amount of time to determine trends in a District's housing developments. The time frame cited in the Government Code Section 65995.6 of five years represents a reasonable period of time to obtain the relevant historical data.

Student Yield Factor Study – Number of Studies

Audience members posed a question specifically related to the number of studies that need to be presented to the OPSC. The study should be based on the actual data from the previous five years consisting of the number of dwelling units located within the district's boundaries. The data involved in the study would be generated by new residential units, as well as the exact number of pupils generated from each new dwelling unit. The student yield factor determined for each type of housing should be combined to complete one study.

Statewide Student Yield Factor and Cohort Survival Projection Method Study

A concern was raised by Committee members regarding the accuracy of the statewide average student yield factors, and whether its use results in an inaccurate enrollment projection. The OPSC has recently completed an in-depth study of the cohort survival method (Attachment D), which specifically focuses on the five-year enrollment projection compared to the actual enrollment data. The study used data reported on the Form SAB 50-01 from 5 years ago and compared the 5-year projection then to today's actual enrollment data. The districts used in this study were a combination of small, medium, and large sized districts, as well as districts located in the north, south, and central regions of the State. The results of the study indicate that the statewide average student yield factors provide an accurate projection.

Cohort Survival Projection Method Study Findings

In the first grouping of districts titled "NO DU's Reported and CBEDS ONLY" the 5-year projection on average matches the actual enrollment as reported on the Form SAB 50-01. The analysis shows that the projection does not exactly match the actual enrollment for every district each year, but on average, the projection does in fact calculate an enrollment projection very close to the actual number, in fact slightly higher. For those districts with the enrollment greater than the 5-year projection, they have the ability to augment the enrollment by providing dwelling units and a student yield factor study that justifies a yield greater than the statewide average. This report can be submitted to the OPSC and could augment the 5-year enrollment to more accurately project the true enrollment.

The second grouping titled "USING DU's AND STATEWIDE SYF" consists of districts that chose to report dwelling units to be constructed in their district boundaries and also used the statewide student yield factors. Districts in this category, on average, projected an even higher enrollment than what was actually reported by an average of 3.1 percent. These districts can also augment the enrollment by providing a student yield factor study that justifies a yield greater than the statewide average, where warranted, to better represent the actual enrollment. Additionally, some of the variances among districts in the study can be attributed to the number of dwelling units being reported.

When a school district reports both dwelling units and a higher student yield factor than the statewide average, as is the case in the third grouping, the 5-year enrollment projection is again higher than the actual enrollment. In this grouping, the majority of the districts reported a higher student yield factor which projected an increase of 6.3 percent in enrollment, on average, compared to what was actually reported 5 years later.

Based on this data, the OPSC believes the cohort survival method does in fact provide a fair and accurate projection that does enable a school district to properly plan for growth in their district. Furthermore, the statewide average student yield factors used as part of the cohort survival method appears to mirror the true enrollment growth as represented in the first grouping. Therefore, the evidence does not suggest that a change in policy is necessary at this time.

STUDENT YIELD FACTOR DISCUSSION

When requesting a higher student yield factor, districts should report the student yield factor determined utilizing the following methodology:

> "…project the number of un-housed elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of un-housed pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed … in which the school district is located..."

If all districts use the same methodology to calculate the higher yield factor, then the resulting enrollment projections would be more equitable from district to district. The SFP guidebook will be updated to include this clarification language.

GENERAL INFORMATION

To determine a district's initial eligibility for new construction funding under the School Facility Program, the district must provide enrollment information for the current and previous three years on this form. After the initial submittal, this form need only be resubmitted when the district requests additional new construction funding in a new enrollment year or as a result of a reorganization election that affects either the district's enrollment or existing school building capacity.

The following documentation must be submitted with this form (as appropriate):

- Specific enrollment data for district's with current enrollment that is less than 300 if the district is requesting an enrollment projection based on five-year average enrollment data (refer to Part A).
- A copy of the study supporting student yield factors if the district is requesting an augmentation of it's enrollment projection due to pupils residing in new dwelling units and it is not using the State yield factors (refer to Part F).

A high school district, unified school district, or county superintendent of schools may file on a high school attendance area (HSAA) basis or Super HSAAs as provided under Education Code Section 17071.76 and Section 1859.41. In that case, the enrollment used on this form is the current and three previous years enrollment in the HSAA or Super HSAA.

This form is not used for modernization funding applications.

PART A. ENROLLMENT DATA—(to be completed by school districts or the county superintendent of schools)

The information needed to complete this form is based on the latest California Basic Education Data Systems ~~(CBEDS)~~ that is available approximately October 15th of each year. Applications filed on or after November 1st must include the current school year enrollment. Report the current year and the three prior years K–12 enrollment. High school districts report the unduplicated enrollment data for grades served by the district and all feeder elementary school grades for the current year and the previous three years.

As an option, school districts with less than 300 current enrollment may report the previous five year average for any grade level for any year when the enrollment for that grade level has decreased by more than 50 percent from the previous year. If this option is used, the district must identify each grade level where this option is used on Form SAB 50-01 and attach the appropriate enrollment documentation to support this request.

County superintendents report the enrollment for community school students as reported in April prior to the latest CBEDS report.

The enrollment data must include all off-track and on-track students attending multitrack year round schools, students living outside the district's boundaries but attending schools in the district, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade levels or type served by the district regardless if the district chartered the school, students attending magnet schools, community school students, and students attending independent study.

Do not include students living in the district's boundaries but attending other districts, students attending regional occupational programs, students attending preschool programs, other students not generally considered K–12 students including adult education students, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries but are enrolled in grade levels or type not served by the district, students living inside district boundaries but are receiving Classroom-Based Instruction in Charter Schools located outside the district boundaries, students receiving Nonclassroom-Based Instruction, juvenile court/court school students, special day class pupils, or continuation high school pupils.

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

Of the data reported in Part A of this form, indicate the aggregate pupil enrollment attending schools chartered by another district which are located within your district boundaries for the current year and the three prior years. If the district is reporting pupils attending schools chartered by another district for the current year, then the district must submit a separate letter with the following information:

- The total Charter School enrollment listed by each of the K–12 grade levels reported for the current year.
- A list of the other school district(s) that chartered school(s) within your boundaries. Include the Charter School name(s) and total school enrollment.

For the previous years, report the total enrollment for pupils attending schools chartered by another district, if known. If the information is not available, enter N/A. In this case, the OPSC will adjust the previous years' enrollment data based on a prorated basis of the rate of growth or decline of the previous years' enrollment.

Enter 0 if there are no pupils attending schools chartered by another district within your district boundaries for the current or previous years.

PART C. CONTINUATION HIGH SCHOOL—(to be completed by school districts only)

Report the continuation high school enrollment for the current year and the three previous years. For purposes of projecting the enrollment, these pupils will be added to the enrollment data in Part A.

PART D. SPECIAL DAY CLASS PUPILS—(to be completed by school districts or the county superintendent of schools)

Report the pupils attending the special day classes as shown and reported to the California Department of Education in December prior to the latest CBEDS report. Use pupil descriptions as provided in Section 1859.2 for Non-Severely Disabled Individual with Exceptional Needs and Severely Disabled Individual with Exceptional Needs.

PART E. SPECIAL DAY CLASS ENROLLMENT—(to be completed by county superintendent of schools only)

Report the total of special day class pupils in all categories for the three previous years.

PART F. NEW DWELLING UNITS—(to be completed by school districts only)

The district may augment the enrollment projection based on the number of pupils that ~~will reside in dwelling units included in an approved subdivision map or valid tentative subdivision map. The district must certify as part of this form that the local planning commission or approval authority has approved the tentative subdivision map that is currently valid (i.e., the approval from the planning commission or approval authority has not expired) and the district has identified the dwelling units in that subdivision map to be constructed. All proposed dwelling units in that subdivision may be used to augment the district's enrollment projection. Report those dwelling units in Part E. Any request for augmentation of the district's enrollment projection must be made by separate letter from the district with this form. The district must certify as part of this form that the approved or valid tentative subdivision map(s) used to support this request are available at the district for OPSC verification.~~are anticipated as a result of proposed dwelling units included in approved and valid tentative or final subdivision maps. The district must provide the approval dates of the maps by the local planning commission or approval authority; the number of dwelling units to be built in the subdivision (the number of dwelling units approved less any permits pulled for construction within each subdivision); and one of the following:

- An approved and valid tentative or final subdivision map with the local planning commission or approval authority stamp located on the map, or
- An approved and valid tentative or final subdivision map with supporting documentation, or
- A spreadsheet or the OPSC dwelling unit worksheet listing all of the subdivisions reported on the Form SAB 50-01 with supporting documentation. If the district wishes to utilize this option, please note that when the district representative signs the Form SAB 50-01, he/she is certifying that the tract maps are on file at the district office and available for OPSC review if requested.

Supporting documentation is defined as one of the following:

- Local planning commission or approval authority meeting minutes detailing the approval of the map. If the approval was given an extension, please provide the most current meeting minutes indicating the approval of the extension request. Dwelling units contained in expired maps may not be reported on the Form SAB 50-01, or
- A letter from the local planning commission or approval authority indicating that the tract map is approved and valid as of the signature date of the Form SAB 50-01, or
- Any other reasonable documentation from the local planning commission or approval authority that indicates the tract map is approved and currently valid.

Report the determined number of dwelling units in Part F.

PART G. YIELD FACTOR—(to be completed by school districts only)

Report the district's student yield factors as defined in Section 1859.2, if different than the statewide average student yield factor. The statewide average student yield factors are as follows:

- Elementary School District..... 0.5 students per dwelling unit
- High School District..... 0.2 students per dwelling unit
- Unified School District..... 0.7 students per dwelling unit

Should the district wish to use its own student yield factors, a copy of the district's study that justifies the student yield factors must be submitted with this form.

PART H. FIVE YEAR PROJECTED ENROLLMENT—Used for School Facility Program. To be completed by the Office of Public School Construction (OPSC).

PART I. ONE YEAR PROJECTED ENROLLMENT—Used for State Relocatable Program. To be completed by the OPSC. Do not manually complete Parts H or I.

Complete this form manually, sign, date, and submit to the OPSC for computations. A completed copy of this form with the enrollment projections will be returned to the district.

The methodology for calculating the district's projected enrollment is outlined in Sections 1859.42 and 1859.43.

SCHOOL DISTRICT	FIVE DIGIT DISTRICT CODE NUMBER (SEE CALIFORNIA PUBLIC SCHOOL DIRECTORY)
COUNTY	HIGH SCHOOL ATTENDANCE AREA (HSAA) OR SUPER HSAA (IF APPLICABLE)

PART A. ENROLLMENT DATA—(Districts or County Superintendent of Schools)

Grade	3rd Previous /	2nd Previous /	Previous /	Current /
K				
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
Total				

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

3rd Previous	2nd Previous	Previous	Current

PART C. CONTINUATION HIGH SCHOOL—(Districts only)

Grade	3rd Previous /	2nd Previous /	Previous /	Current /
9				
10				
11				
12				

PART D. SPECIAL DAY CLASS PUPILS—(Districts or County Superintendent of Schools)

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

PART E. SPECIAL DAY CLASS ENROLLMENT—(County Superintendent of Schools only)

3rd Previous	2nd Previous	Previous

PART F. NUMBER OF NEW DWELLING UNITS

PART G. DISTRICT STUDENT YIELD FACTOR

PART H. FIVE YEAR PROJECTED ENROLLMENT—School Facility Program Projections
(Except Special Day Class pupils only)

K–6	7–8	9–12	Total

Projections—Special Day Class Pupils Only

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

PART I. ONE YEAR PROJECTED ENROLLMENT—State Relocatable Program Projections
(Except Special Day Class pupils only)

K–6	7–8	9–12	Total

Projections—Special Day Class Pupils Only

	Elementary		Secondary			Elementary		Secondary	
	Non-Severe	Severe	Non-Severe	Severe		Non-Severe	Severe	Non-Severe	Severe
MR					OI				
HH					OHI				
DEAF					SLD				
HI					DB				
SLI					MH				
VI					AUT				
SED					TBI				
					TOTAL				

I certify, as the District Representative, that the information reported on this form is true and correct and that:

- *I am designated as an authorized district representative by the governing board of the district.*
- *If the district is requesting an augmentation in the enrollment projection pursuant to Section 1859.42 (b), the local planning commission or approval authority has approved the tentative subdivision map used for augmentation of the enrollment and the district has identified dwelling units in that map to be contracted. All subdivision maps used for augmentation of enrollment are available at the district for review by the OPSC.*
- *This form is an exact duplicate (verbatim) of the form provided by Office of Public School Construction. In the event a conflict should exist, then the language in the OPSC form will prevail.*

SIGBATURE OF DISTRICT REPRESENTATIVE	DATE

ATTACHMENT B

Article 5. Enrollment Projections

Section 1859.42. Projecting Non-Special Day Class Enrollment.

The district enrollment, as reported on the Form SAB 50-01, shall be used to calculate the district's projected enrollment other than Special Day Class enrollment. The OPSC shall use the following methodology to determine the districts projected enrollment:

(a) All projected enrollment with the exception of Special Day Class enrollment shall be calculated pursuant to the cohort survival enrollment projection system which is described as follows:

(1) For all grades, determine the numerical change in enrollment between the current grade and the next lower grade in the previous year; determine the numerical change in enrollment between the previous year grade and the next lower grade in the second previous year; determine the numerical change in enrollment between the second previous year grade and the next lower grade in the third previous year. Determine the numerical change of kindergarten enrollment on the second previous and third previous year respectively.

(2) Compute the annual change in enrollment as explained in (1) for each grade. The annual change shall then be weighted by multiplying the most recent annual change in enrollment by three, the next most recent annual change by two, and the earliest annual change by one, and dividing the sum of the annual weighted changes for each grade by six. The result shall be the average annual change.

(3) Progress the latest reported enrollment through the five-year projection period, modifying the grade progression each year by the average annual change for each grade as computed in (2).

(b) The enrollment projection will be augmented based on the number of pupils as reported by the district on Form SAB 50-01, that will reside in dwelling units included in an approved ~~subdivision map or~~ and valid tentative or final subdivision map that exceed the number of pupils projected as a result of the cohort survival method for that tentative or final subdivision map. The augmentation shall be as follows:

(1) Progress the current enrollment as reported on Form SAB 50-01, for one year for each grade level. For kindergarten, the progressed current enrollment shall be the same as the reported current enrollment.

(2) Subtract the current enrollment progressed one year for each grade level from the one-year projection of enrollment for each grade level as determined in (a). If the computation results in a negative number, the number shall be deemed zero.

(3) Divide the current enrollment progressed one year for each grade level by the sum of the current enrollment progressed one year in all grade levels.

(4) Multiply the number of housing units in the approved and valid tentative or final subdivision maps by the pupil yield factor provided on the Form SAB 50-01.

(5) Multiply the number of pupils determined in (4) by the percentages determined in (3) for each grade.

(6) Subtract five times the value determined in (2) from the value determined in (5). If the computation results in a negative number, the number shall be deemed zero.

(7) Add the value in (6) to the fifth year of projected enrollment as computed in (a) to establish the augmented projection of enrollment.

(c) The projected enrollment of a HSAA or Super HSAA shall be computed in the same manner as that set forth in this section, except that the enrollment used in such computation shall be that of the HSAA or Super HSAA rather than the entire district. Augmentation as provided in (b) of this Section may include only dwelling units located in the HSAA or Super HSAA.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17071.75 and 17071.76, Education Code.

ATTACHMENT C

RELEVANT GOVERNMENT CODE SECTIONS

Student Yield Factor Reporting

Government Code Section 65995.6

65995.6. (a) The school facilities needs analysis required by paragraph (2) of subdivision (b) of Section 65995.5 shall be conducted by the governing board of a school district to determine the need for new school facilities for unhoused pupils that are attributable to projected enrollment growth from the development of new residential units over the next five years. The school facilities needs analysis shall project the number of unhoused elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of unhoused pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed either in the school district or the city or county in which the school district is located, and relevant planning agency information, such as multiphased development projects, that may modify the historical figures. For purposes of this paragraph, "type" means a single family detached, single family attached, or multifamily unit. The existing school building capacity shall be calculated pursuant to Article 2 (commencing with Section 17071.10) of Chapter 12.5 of Part 10 of the Education Code. The existing school building capacity shall be recalculated by the school district as part of any revision of the needs analysis pursuant to subdivision (e) of this section. If a district meets the requirements of paragraph (3) of subdivision (b) of Section 65995.5 by having a substantial enrollment on a multitrack year-round schedule, the determination of whether the district has school building capacity area shall reflect the additional capacity created by the multitrack year-round schedule.
(b) When determining the funds necessary to meet its facility needs, the governing board shall do each of the following:

(1) Identify and consider any surplus property owned by the district that can be used as a schoolsite or that is available for sale to finance school facilities.
(2) Identify and consider the extent to which projected enrollment growth may be accommodated by excess capacity in existing facilities.
(3) Identify and consider local sources other than fees, charges, dedications, or other requirements imposed on residential construction available to finance the construction or reconstruction of school facilities needed to accommodate any growth in enrollment attributable to the construction of new residential units.

(c) The governing board shall adopt the school facility needs analysis by resolution at a public hearing. The school facilities needs analysis may not be adopted until the school facilities needs analysis in its final form has been made available to the public for a period of not less than 30 days during which time the school facilities needs analysis shall be provided to the local agency responsible for land use planning for its review and comment. Prior to the adoption of the school facilities needs analysis, the public shall have the opportunity to review and comment on the school facilities needs analysis and the governing board shall respond to written comments it receives regarding the school facilities needs analysis.
(d) Notice of the time and place of the hearing, including the location and procedure for viewing or requesting a copy of the proposed school facilities needs analysis and any proposed revision of the school facilities needs analysis, shall be published in at least one newspaper of general circulation within the jurisdiction of the school district that is conducting the hearing no less than 30 days prior to the hearing. If there is no paper of general circulation, the notice shall be posted in at least three conspicuous public places within the jurisdiction of the school district not less than 30 days prior to the hearing. In addition to these notice requirements, the governing board shall mail a copy of the school facilities needs analysis and any proposed revision to the school facilities needs analysis not less than 30 days prior to the hearing to any person who has made a written request if the written request was made 45 days prior to the hearing. The governing board may charge a fee reasonably related to the cost of providing these materials to those persons who request the school facilities needs analysis or revision.
(e) The school facilities needs analysis may be revised at any time in the same manner, and the revision is subject to the same conditions and requirements, applicable to the adoption of the school facilities needs analysis.

(f) A fee, charge, dedication, or other requirement in an amount authorized by this section or Section 65995.7, shall be adopted by a resolution of the governing board as part of the adoption or revision of the school facilities needs analysis and may not be effective for more than one year. Notwithstanding subdivision (a) of Section 17621 of the Education Code, or any other provision of law, the fee, charge, dedication, or other requirement authorized by the resolution shall take effect immediately after the adoption of the resolution.
(g) Division 13 (commencing with Section 21000) of the Public Resources Code may not apply to the preparation, adoption, or update of the school facilities needs analysis, or adoption of the resolution specified in this section.
(h) Notice and hearing requirements other than those provided in this section may not be applicable to the adoption or revision of a school facilities needs analysis or the resolutions adopted pursuant to this section.

Tentative and Final Subdivision Maps

Government Code Section 66425-66426

66425. The necessity for tentative, final and parcel maps shall be governed by the provisions of this chapter.

66426. A tentative and final map shall be required for all subdivisions creating five or more parcels, five or more condominiums as defined in Section 783 of the Civil **Code**, a community apartment project containing five or more parcels, or for the conversion of a dwelling to a stock cooperative containing five or more dwelling units, except where any one of the following occurs:
(a) The land before division contains less than five acres, each parcel created by the division abuts upon a maintained public street or highway, and no dedications or improvements are required by the legislative body.
(b) Each parcel created by the division has a gross area of 20 acres or more and has an approved access to a maintained public street or highway.
(c) The land consists of a parcel or parcels of land having approved access to a public street or highway, which comprises part of a tract of land zoned for industrial or commercial development, and which has the approval of the governing body as to street alignments and widths.
(d) Each parcel created by the division has a gross area of not less than 40 acres or is not less than a quarter of a quarter section.
(e) The land being subdivided is solely for the creation of an environmental subdivision pursuant to Section 66418.2.
(f) A parcel map shall be required for those subdivisions described in subdivisions (a), (b), (c), (d), and (e).

SUMMARY OF COHORT SURVIVAL CALCULATION ANALYSIS		Small	Medium	Large	North	Central	South	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 (DUs & SYF)	Percent Difference	Actual Enroll. for 03/04
N0 DU's Reported - CBEDS ONLY	District A			X			X	18,875	-4.8%	18,875	-4.8%	19,827
	District B			X			X	23,417	6.7%	23,417	6.7%	21,948
	District C			X			X	17,114	7.9%	17,114	7.9%	15,866
	District D	X				X		4,003	-6.7%	4,003	-6.7%	4,292
	District E	X					X	254	30.3%	254	30.3%	195
	District F		X				X	7,216	-1.6%	7,216	-1.6%	7,333
	District G			X	X			55,643	-2.7%	55,643	-2.7%	57,197
	District H	X			X			4,425	1.9%	4,425	1.9%	4,342
	District I		X			X		8,472	-6.6%	8,472	-6.6%	9,071
	District M	X				X		265	16.2%	265	16.2%	228
	District N	X			X			1,937	3.2%	1,937	3.2%	1,877
	District O		X				X	9,548	4.0%	9,548	4.0%	9,184
	District P	X					X	5,154	-1.5%	5,154	-1.5%	5,235
	District Q	X			X			4,665	-3.0%	4,665	-3.0%	4,807
	District R		X				X	7,620	6.1%	7,620	6.1%	7,181
	District S			X			X	42,702	1.6%	42,702	1.6%	42,039
	District T			X			X	17,322	6.1%	17,322	6.1%	16,330
	District U	X				X		510	-18.0%	510	-18.0%	622
	District V		X				X	11,748	14.4%	11,748	14.4%	10,268
								12,678	1.3%	12,678	1.3%	12,518
USING DU's and STATEWIDE SYF	District W	X			X			5,644	-5.1%	6,722	13.0%	5,949
	District X	X				X		2,410	-15.9%	2,687	-6.2%	2,864
	District Y			X		X		32,953	-4.7%	35,017	1.2%	34,588
	District Z		X		X			4,959	-29.2%	6,706	-4.3%	7,008
	District AA	X			X			4,072	-16.4%	6,880	41.3%	4,870
	District BB	X			X			1,135	20.2%	1,166	23.5%	944
	District CC		X			X		13,529	3.3%	13,639	4.1%	13,098
	District DD	X					X	831	-46.7%	973	-37.5%	1,558
	District EE		X				X	7,011	-3.6%	7,016	-3.5%	7,273
	District FF	X				X		2,460	13.5%	2,467	13.8%	2,168
	District GG			X			X	12,605	-19.4%	13,670	-12.6%	15,640
	District HH	X				X		3,354	3.1%	3,625	11.4%	3,253
	District II			X		X		20,319	3.2%	21,176	7.6%	19,689
	District JJ			X			X	27,767	11.4%	28,851	15.7%	24,934
	District KK			X			X	19,669	-4.4%	20,093	-2.4%	20,584
	District LL		X		X			7,909	-14.5%	8,070	-12.7%	9,246
	District MM		X				X	5,282	-27.4%	5,360	-26.3%	7,273
	District NN			X			X	12,948	-14.2%	19,001	25.9%	15,090
	District OO		X			X		5,842	-3.9%	6,048	-0.6%	6,082
	District PP		X			X		5,762	-25.4%	6,772	-12.3%	7,720
	District QQ		X			X		7,707	-14.0%	8,230	-8.1%	8,959
	District RR	X			X			4,309	-8.0%	4,392	-6.3%	4,685
	District BBB	X					X	3,637	-27.4%	5,999	19.7%	5,013
	District CCC			X			X	27,378	2.7%	28,584	7.2%	26,662
	District DDD			X			X	24,092	-3.4%	24,761	-0.8%	24,951
	District EEE		X		X			6,390	-27.6%	9,886	12.0%	8,830
								10,384	-6.6%	11,454	3.1%	11,113
DU's and DISTRICT SYF	District SS			X			X	37,554	-9.3%	38,945	-5.9%	41,382
	District TT		X				X	7,302	-6.6%	10,195	30.5%	7,814
	District UU			X			X	35,162	1.1%	35,709	2.6%	34,792
	District VV		X			X		9,560	4.5%	10,139	10.8%	9,148
	District WW		X				X	6,512	-2.4%	7,391	10.8%	6,672
	District XX	X				X		3,360	-23.8%	4,071	-7.6%	4,407
	District YY			X			X	34,801	6.5%	36,406	11.4%	32,679
	District ZZ			X	X			21,445	-2.5%	26,452	20.3%	21,988
	District AAA		X				X	12,005	-4.6%	12,934	2.7%	12,590
								18,633	-2.2%	20,249	6.3%	19,052
		18	18	18	12	15	27					

TOTAL DISTRICTS:	**54**
Small (0-6,000 pupils)	**18**
Medium (6,001-15,000	**18**
Large (15,001+ pupils)	**18**
North (north of Stanislaus)	**12**
Central	**15**
South (south of Kern)	**27**

For "Percent Difference":

~ Positive percentage = the projection > enrollment. (the 50-01 is over-projecting)

~ Negative percentage = the projection < enrollment. (the 50-01 is under-projecting)

Projection for 03/04	Percent Difference	Actual Enroll. for 03/04
Small:		
3,344	5.0%	3,184
Medium:		
9,436	9.8%	8,597
Large:		
27,985	3.3%	27,101
North:		
11,302	2.9%	10,979
Central:		
8,475	0.7%	8,413
South:		
16,921	3.8%	16,308

Overall conclusion:

Using data from 54 school districts throughout the State encompassing Northern, Central and Southern regions and from districts ranging in size from 200 to 55,000 pupils, the OPSC compared information provided on the Form SAB 50-01 and the actual enrollment. The statewide average 5-year enrollment projection using zero dwelling units and the statewide student yield factor was 13,898 pupils. The average actual statewide enrollment at the end of the 5 year period culminating in the 03/04 school year was 14,228 - a net **difference of -2.314%.** (Actual enrollment was higher than the projection by an average of 330 pupils.)

Using the dwelling units and student yield factor figures reported on the Form SAB 50-01 application and using the same set of sample districts, the statewide average 5-year enrollment projection was 14,794. Comparing the actual enrollment at the end of the 5 year period resulted in a net **difference of +3.978%**. (The enrollment projection over-predicted what the actual enrollment would be when factored with dwelling units.) These figures provide evidence that the cohort survival method does an accurate job of estimating the 5-year enrollment projection.

	Projection for 03/04 (Zero DUs)	Percent Difference	Projection for 03/04 DU's & SYF)	Percent Difference	Actual Enroll. for 03/04
Statewide average ~	13,898	-2.314%	14,794	3.978%	14,228

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
August 5, 2004

PURCHASE AND CONVERSION OF NON-CONFORMING BUILDINGS FOR SCHOOL USE

PURPOSE

To seek input from districts and design professionals regarding the costs of purchasing and retrofitting non-conforming buildings for school use; and to discuss possible funding options within the provisions of the School Facility Program (SFP).

BACKGROUND

The OPSC has been asked to look into the feasibility of funding for projects involving purchase and retrofit of existing buildings. Although the Education Code provides for such projects, districts claim that, while site acquisition funding applies to the cost of the land only, the base grant amount is insufficient to pay for the purchase and retrofit of the building(s). Districts also contend that retrofitting a non-conforming building may be a more cost-effective approach as compared to the traditional method of purchasing, demolishing and building a-new. The OPSC is seeking input on the issue and any possible real-life examples that may support districts' concern.

AUTHORITY

The Education Code Section (ECS) 17072.35 states that "a grant for new construction may also be used to acquire an existing government or privately owned building, or a privately financed school building, and for the necessary costs of converting the government or privately owned building for public school use."

DISCUSSION

Eligibility for Retrofit Costs

The above excerpt from the Education Code provides for funding of retrofit costs for government or privately owned buildings only. Privately financed school buildings that are already in compliance with the Field Act (i.e., developer built schools, etc.) are not eligible for additional retrofit costs under the authority supporting this proposal. In order to qualify for a definition of a "school building," the structure must be already in compliance with Title 24 of the California Code of Regulations. For purposes of the following discussion, the options presented apply to government or privately owned buildings only.

Insufficient Number of Projects

Based on our knowledge, there are only two examples of completed conversion projects that include the purchase of the existing school by Bakersfield City Elementary School District and a conversion of a commercial building into a school by Pomona Unified School District. The OPSC has been approached by only a few districts that have contemplated conversion projects; this is not a rampant issue. In the absence of real-life examples, the OPSC is looking for information from districts on what are the circumstances that would prompt a school district to consider retrofitting a building in lieu of demolishing it.

Cost of a Conversion Project

The new construction grant for a project is determined by the number of pupils to be housed in a project and available pupil grants in the district's new construction eligibility. The new construction base grant pays the soft and hard costs of new buildings while site development and property acquisition costs are provided for with additional allowances. For a conversion project, in which a purchased building is retained for school use rather than demolished, the new construction base grant applies to the cost of the building as well as the required retrofit. The funding amount determined by the eligible pupil grants may be insufficient to fund the purchase and retrofit of existing buildings. The options below provide for some possible solutions.

Option 1: Supplemental Grant

Provide a mechanism for recognizing the cost savings of the conversion project. This may be done by performing a cost-benefit analysis comparing the costs of purchasing and retrofitting versus the costs of demolition and rebuilding. Once the cost deferential is determined, this amount can be added to the eligible base grant via a new supplemental grant to the extent that the total State share of the project cost would not exceed what school district would have ordinarily realized under the SFP. The challenge in this approach is to determine the best method of identifying and verifying the cost savings.

Option 2: Adjusted Site Acquisition Amount

In cases when the cost-benefit analysis indicates a savings to the State as compared to the cost of demolishing and re-building, include a portion of the building acquisition cost in the site acquisition funding amount to ensure equitable funding for a project. Staff believes this is permissible considering building values are commonly included in the site acquisition cost in traditional demolition-new construction scenarios. The basic premises of this option are as follows:

- Consider for a conversion project under current Regulations, the entire cost of the building must be covered by the base grant.
- This proposal will provide that the cost of the building, absent the retrofit costs, will be covered by the base grant.
- Under circumstances when the retrofit costs are equal or greater than the cost of the building, none of the building cost will be required to be covered by the base grant and the site acquisition apportionment will cover the building and land costs.

The challenge presented by this option is to determine what portion of the building cost may be included in the site acquisition amount. Staff suggests that the unusable building value, as explained in detail in the attachment, be included in the site acquisition funding amount. The concept of the unusable value is derived from the fact that the purchase price of the building should be fairly close to its fair market value, defined as the most probable price for which the property will sell in a competitive market. However, a school district cannot use the building in its current state due to the requirement of the Field Act. Thus the value of the building to the district has to take into account the cost of retrofit. Therefore, the useable value is the cost to buy the building minus the cost to retrofit, leaving the remaining portion of the value as "unusable." This unusable portion of the value is then eligible for site acquisition funding.

Funding for a conversion project that includes funding of an existing building within the site acquisition grant should never exceed the amount of funding that could be otherwise apportioned for a traditional demolition-new construction SFP project. In addition, a conversion project must meet the 60 percent commensurate test and ensure that the pupil grants reduced from new construction baseline eligibility are equal to the capacity of the project.

Option 3: Review of Projects on Case-By-Case Basis

The OPSC anticipates a small number of projects requesting funding for building retrofit. Projects of this kind may involve special circumstances that justify or require building retrofit in place of traditional demolition and re-building. Although the Education Code provides that such projects are eligible for funding, the calculation of eligible funding amounts may require special considerations. Thus, case-by-case review may be justified.

The OPSC proposes developing regulations that would enable school districts to submit an appeal request if the potential project funding is insufficient. This proposal would require a Board approval for additional funding in cases when a school district may purchase a building which value exceeds a predetermined threshold as a percentage of the base grant.

As part of the appeal, districts should provide an appraisal that values the land and improvements separately. In addition, a cost benefit analysis must be provided that compares the cost of the retrofit project to the cost of an alternative project. Districts must also certify that retrofitted buildings will be “in like new” condition upon completion of the work.

In reviewing the request, the OPSC may consider increasing the site acquisition apportionment beyond the land value, modifying the 60 percent commensurate requirement and any other modifications that are deemed justifiable. In addition, the pupil grants requested for the project must represent the capacity of the project. Reviewing projects on a case-by-case basis may include Staff’s administrative use of Option Two to determine the appropriate site acquisition apportionment.

RECOMMENDATION

Overall, there is insufficient data on the issue to recommend any major changes to the Regulations at this time. Staff suggests continuing discussions regarding the ability to purchase and convert buildings for school use and the funding available under the School Facility Program (SFP) for such projects. Based on initial discussions, Option Three, as described above, appears to be the best alternative. Thus Staff will continue to develop it further.

ATTACHMENT
Illustration of Option Two

Calculation:

Assume that appraised value of the property equals its Purchase Price (PP) and provides a separate cost analysis for land-only value and building-only value.

Step 1:

Value of Building (B) - Cost to Retrofit (R) Useable Building Value (V) *If negative, use zero*
(The useable building Value must be covered by base grant.)

Step 2:

Value of Building (B) - Useable Building Value (V) Unusable Building Value (U)
(This equals the compensation for required retrofit)

Step 3:

Pure Land Costs (L) + Unusable Building Cost (U) Site Acquisition Grant (S)
(This is the adjusted site acquisition cost that accounts for retrofit cost in-lieu of demolition)

Step 4: State Project Cost Comparison

Conversion Project	Traditional Demolition-New Construction Project
Cost of **Project X** is the sum of: • Land Cost + Unusable Value • Base Grant (G) • Incidental Site Development	Cost of **Project Y** is the sum of: • Land Cost + Entire Building Value *which equals the purchase price (PP)* • Base Grant • Site Development including demolition

A cost analysis must demonstrate that the cost of Project X is equal to or lesser than the cost of Project Y in order for a school district to qualify for funding as project X, i.e. presents savings for the State or demonstrates no additional costs. Districts may utilize this funding option to the extent it does not exceed a traditional demolition-new construction project.

Examples:
Below is a summary of hypothetical examples for discussion purposes only.

Example 1: Assume the following costs (in millions) for District A:

PP: $ 8
L: $ 4
B: $ 4
R: $ 4
G: $ 5

Step 1: B - R = V $4 – $4 = $0 *useable building value*
Step 2: B – V = U $4 – $0 = $4 *unusable building value*
Step 3: L + U = S $4 + $4 = $8 *Site Acquisition Grant*
Step 4: Conduct a cost comparison and ensure that the amount provided never exceeds the cost of the traditional approach of purchasing, demolishing and rebuilding.

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$ 8 Purchase Price $ 4 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 8 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$ 8 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$14 total**	**$15 total**

In this example, it appears that the district is achieving project savings. However, project savings are allowable under current SFP regulations, for non-Financial Hardship districts, as long as the project expenditures are in compliance with the 60 percent commensurate requirement.

Example 2: Assume the following costs (in millions) for District B:

PP: $ 6
L: $ 4
B: $ 2
R: $ 6
G: $ 5

Step 1: B - R = V $2 – $6 = $0 *useable building value*
Step 2: B – V = U $2 – $0 = $2 *unusable building value*
Step 3: L + U = S $4 + $2 = $6 *Site Acquisition Grant*
Step 4: Conduct a cost comparison and ensure that the amount provided never exceeds the cost of the traditional approach of purchasing, demolishing and rebuilding.

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$ 6 Purchase Price $ 6 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$12 total**	**$13 total**

Example 3: Assume the following costs (in millions) for District C:

PP: $10
L: $ 4
B: $ 6
R: $ 2
G: $ 5

Step 1: B - R = V $6 – $2 = $4 *useable building value*
Step 2: B – V = U $6 – $4 = $2 *unusable building value*
Step 3: L + U = S $4 + $2 = $6 *Site Acquisition Grant*
Step 4: Conduct a cost comparison and ensure that the amount provided never exceeds the cost of the traditional approach of purchasing, demolishing and rebuilding.

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
$10 Purchase Price $ 2 Retrofit $ 1 Some Site Dev.	$ 4 Land only $ 5 Base Grant $ 1 Some Site Dev.	$ 6 Site Acquisition $ 5 Base Grant $ 1 Some Site Dev.	$10 Site Acquisition $ 5 Base Grant $ 2 Site Dev. w/Demolition
$13 total	**$10 total**	**$12 total**	**$17 total**

The district should consider the amount of a higher local match that it would have to provide if it chose to demolish a useable building.